

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 IO-13 AGR-10 AGRE-00

OES-06 /126 W

----- 045884

R 290657Z SEP 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 9762

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

UNCLAS SEOUL 7819

HONGKONG FOR REGIONAL FINANCIAL ATTACHE

E.O. 11652: N/A

TAGS: ECON, KS

SUBJECT: FIRST HALF GROWTH NEAR RECORD

REF: SEOUL 5696

1. BANK OF KOREA RELEASED SEPTEMBER 27 FIRST HALF PRELIMINARY NATIONAL ACCOUNT DATA WHICH SHOW REAL GNP INCREASING BY 17.4 PERCENT OVER CORRESPONDING PERIOD IN 1975, THE SECOND HIGHEST IN THE NATION'S HISTORY. BOTH BANK OF KOREA AND KOREA DEVELOPMENT INSTITUTE NOW ESTIMATE REAL GROWTH FOR 1976 SHOULD APPROACH 14 PERCENT.

2. DURING FIRST HALF MANUFACTURING WAS UP BY 30.3 PERCENT WITH AGRICULTURE AND FISHERIES SECTOR ALSO DISPLAYING AN IMPRESSIVE 10.9 PERCENT GROWTH. RICE CROP IS PROJECTED TO REACH AN ALL TIME HIGH OF 5.1 MILLION TONS FOR THE YEAR.

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MAIN GROWTH SECTOR CONTINUES TO BE EXPORTS UP 63.2 PERCENT IN FIRST HALF, WITH L/C ARRIVALS AS OF SEPTEMBER 27 REPORTED

AT \$5,650 MILLION. SOME KOREAN OFFICIALS NOW READILY CONCEDE THAT EXPORTS SHOULD SURPASS THE \$7.5 BILLION MARK FOR 1976 AND A FIGURE AS HIGH AS \$8 BILLION HAS BEEN MENTIONED.

3. ONE PROBLEM AREA WAS INVESTMENT WITH TOTAL FIXED ASSETS UP BY ONLY ONE PERCENT IN REAL TERMS. SECTOR WAS ESPECIALLY HIT BY A DECLINE IN HOUSING (DOWN 22.8 PERCENT). AS A RESULT OF A SHIFT IN GOVERNMENT FISCAL POLICIES. ALTHOUGH INDUSTRIAL CONSTRUCTION INCREASED 6.3 PERCENT, INVESTMENT IN PLANT AND EQUIPMENT FELL BY 2 PERCENT. HOWEVER, SECOND QUARTER SHOWED IMPROVEMENT IN MOST CATEGORIES EXCEPT HOUSING, AND INVESTMENT IS EXPECTED TO PICK UP IN SECOND HALF.

4. COMMENT: 1976 NOW APPEARS TO BE APPROACHING BOOM PROPORTIONS FOR THE KOREAN ECONOMY AND EASILY THE BEST YEAR SINCE 1973 WHEN ECONOMY GREW BY 16.5 PERCENT. AS A RESULT OF LARGE INVENTORY DISINVESTMENT IN FIRST HALF, OUTPUT SHOULD CONTINUE AT HIGH RATES AS DEMAND CONTINUES STRONG. SINCE JULY 1975 ECONOMIC INDICATORS HAVE STEADILY MOVED OUT OF RECESSION STAGE WITH NO DOWNTURN IN SIGHT. WITH PRICES STILL RELATIVELY STABLE AND BALANCE OF PAYMENTS STRONG, ROK WILL CONCLUDE THE FINAL YEAR OF THE THIRD FIVE YEAR PLAN IN EXCELLENT SHAPE. IN THE LONGER RUN, HOWEVER, INFLATIONARY PRESSURES AS A RESULT OF AN EXPANDING MONEY SUPPLY AND POSSIBLE CAPACITY LIMITATIONS COULD EVENTUALLY SLOW THE BOOM.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 29 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SEOUL07819
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760368-0365
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976097/aaaaafmv.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 SEOUL 5696
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 26 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 FEB 2004 by MaustMC>; APPROVED <07 JAN 2005 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FIRST HALF GROWTH NEAR RECORD
TAGS: ECON, KS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006